CHAPTER 4
URBANIZATION: EXPANDING OPPORTUNITIES BUT DEEPER DIVIDES
KEY MESSAGES

• In general, cities offer better access to jobs and services than rural areas. Rapid progress has been made in rural areas, when measured by a variety of development indicators. However, rural populations will continue to lag behind urban dwellers by 2030 if current trends continue.

• Still, cities are more unequal than rural areas, though levels of inequality vary greatly, even among cities within a single country.

• Inequality tends to be higher in large cities than in small cities and towns, but the prevalence of poverty also tends to be lower in large urban areas.

• Sustained exposure to concentrated poverty in underserved urban neighbourhoods leads to marginalization and exclusion, reinforcing the mechanisms that perpetuate poverty and disadvantage.

• Urbanization is proceeding at a fast pace in many developing countries, making urban governance and adequate planning increasingly urgent.

• Reducing inequalities within cities calls for meeting the housing and land needs of all people, including those living in poverty, ensuring the equitable provision of public services and infrastructure, improving connectivity and promoting access to decent, formal employment.
INTRODUCTION

Where people live exerts a strong influence on their opportunities in life, including access to safe drinking water, electricity, health care, good schools, decent work and other goals envisioned in the 2030 Agenda. Inequalities related to location – also known as “spatial inequalities” – can be extreme between rural and urban areas, especially in developing countries.

High levels of inequality are also found within cities, where virtually all of the world’s population growth will take place over the next 30 years. Cities can be incubators for innovation and boost prosperity. The concentration of people and human activity leads to increased productivity, facilitates the provision of public infrastructure and services, and stimulates the development and diffusion of new ideas. The generation of new opportunities, in turn, boosts social mobility. Yet in most cities, high levels of wealth and modern infrastructure coexist with areas characterized by deprivation and a dearth of services. Underinvestment in infrastructure and public transportation prevents some urban residents from accessing good jobs, education and services. Furthermore, the concentration of poverty in certain underserved neighbourhoods reinforces the mechanisms that perpetuate disadvantage.

In a world with high and growing levels of urbanization, the future of inequality depends largely on what happens in cities. The urban advantage in terms of innovation and opportunities for social mobility may not be sustained if development and urban planning policies neglect equity concerns. Based on a review of spatial disparities and inequalities within cities, this chapter discusses lessons learned in promoting spatial inclusion and reducing urban divisions.

A. Spatial inequalities: the rural-urban divide

Spatial inequalities within countries are often more dramatic than those between countries. The poorest regions of middle-income countries, for instance, are frequently as poor as low-income countries. In Argentina and Mexico, for instance, GDP per capita in the poorest administrative regions is 16 times lower than that of the richest regions (Muñoz, Radics and Bone, 2016). Typically, spatial inequalities account for a significant proportion of total in-country inequality: they explain over 60 per cent of total income inequality in African countries such as Angola and Madagascar, for instance, and about 40 per cent in Zambia (Shimeles and Nabassaga, 2017; Beegle and others, 2016). These spatial divides are entrenched and often persistent, despite overall economic growth, enhancements in infrastructure and technological gains
that should improve access to opportunities and resources everywhere. Certain areas benefit more from these advances for a variety of reasons, including natural resource endowments, weather conditions, market integration and access to public institutions. At the same time, the concentration of activities within cities creates economies of scale and networking effects that further benefit the richest regions.

In Europe, for instance, spatial inequality within many countries expanded between 1995 and 2008 (OECD, 2018b and 2018c). Over that period, many small manufacturing cities and regions suffered losses in employment and income, while large metropolitan areas became more dynamic. The 2008 economic and financial crisis hit metropolitan areas harder than small towns and rural areas in some countries but not in others, resulting in a territorial patchwork of diverging real incomes and rates of labour force participation. In contrast, while spatial inequalities remain prominent in China, the share of provincial income inequality over total inequality declined from 35 per cent in 1995 to 11 per cent in 2013 (Jain-Chandra and others, 2018).

One of the most conspicuous forms of spatial inequality is that between rural and urban areas. On average, people in urban areas have more job opportunities and better access to education, safe drinking water, health services and high-quality infrastructure than rural populations. As a result, at least 80 per cent of people living in poverty are found in rural areas, even though rural areas account for only 45 per cent of the world’s population (World Bank, 2016a; United Nations, 2018d). Based on recent estimates of multidimensional poverty, which takes into account overlapping deprivations in education, health and living standards, poverty is higher in rural than in urban areas in all regions, as shown in figure 4.1. A rural-urban gap is found even in regions where the overall prevalence of multidimensional poverty is very low – such as Europe and Northern America.

In most developed countries, disparities between urban and rural areas are easing in terms of economic structures and the quality of physical infrastructure (Champion, 2011; Champion and Hugo, 2004). Improvements in communication and transportation, for example, have allowed people to move out of cities into the surrounding countryside without losing access to urban jobs and services.

In developing countries, however, some rural disadvantages have persisted. Access to improved sanitation, for instance, has increased at a quicker pace in urban than in rural areas. Other indicators, however, suggest that a shift may be under way. Since the 1990s, evidence shows that progress against stunting has proceeded at a somewhat faster pace in rural than in urban areas; the same holds true for secondary school attendance and access to electricity (see figure 4.2). That said, even if the progress observed in most indicators from the 1990s to the 2010s continues, rural areas will still lag behind urban centres by 2030.
What’s more, such averages hide substantial cross-country differences. The rural-urban gap in access to electricity declined by 25 percentage points in Bangladesh and by 29 percentage points in India between 1998 and 2016, but it increased by 22 percentage points in Benin from 1996 to 2011. Similarly, different indicators can show opposing trends. In Nigeria, for instance, secondary school attendance showed progress, though limited, in both urban and rural areas from 2003 to 2013, yet the number of out-of-school children increased in rural areas (UNESCO, 2015). In China, rising rural-urban inequalities across multiple indicators over the last few decades have been widely documented, although recent initiatives by the central and local governments to reduce them may have begun to bear fruit (see box 4.1).

These examples suggest that a strong focus on easing the rural-urban divide will be needed to ensure that no one is left behind. They also highlight the need to monitor trends using multiple indicators, since progress in one domain is not necessarily indicative of progress in others.
In sum, access to opportunities and resources has a clear spatial dimension: people in rural areas are worse off than urban populations, despite a shrinking of that gap in many countries.

While most evidence regarding spatial inequalities is highly aggregated and generally compares only urban to rural areas, or major subnational regions, the economic and social landscape of cities and rural areas differs widely in both developed and developing countries. Moreover, the boundaries between urban and rural areas are not clear-cut. For example, Van Duijne and Nijman (2019) have found that substantial urban growth is taking place in areas of India that are currently classified as rural in censuses and administrative sources (see also Van Duijne, forthcoming). That is, part of the population classified as rural in fact live in high-density towns and work in non-farm activities. Corridors of what are currently classified as rural villages can result in contiguous built-up areas of more than 250,000 people without any form of urban governance (ibid.). This ambiguity challenges the use of administrative data. Accurate analyses of spatial inequalities call for the use of alternative data sources, including satellite imagery.
BOX 4.1
China: bridging the rural-urban divide

Rising rural-urban inequalities in China over the last several decades have been widely documented. From the early 1980s to the mid-2000s, the uneven distribution of economic growth, poverty reduction and public investment to the benefit of cities and industrial development resulted in significant increases in the absolute gap between urban and rural incomes (Chaudhuri and Ravallion, 2006; Whyte, 2010). Education shows large disparities as well (Zhang, Li and Xue, 2015). China’s system of household registration (the hukou system), which severely restricts internal migration, has contributed to observed disparities through the marginalization of rural residents and rural-to-urban migrants. New migrants to urban areas often lack access to health care, education and housing due to stringent registration requirements.

Inequality between urban and rural areas explains a large share of China’s income inequality and its trends. It accounted for 44 per cent of total income inequality in 1995 and continued to increase until 2007 (Jain-Chandra and others, 2018). Rural-urban inequalities in income declined rapidly after 2007 and, by 2013, constituted 34 per cent of total inequality (ibid.). Yet disparities remain large. In 2017, per capita disposable income was almost three times higher in urban than in rural areas: 36,000 yuan versus 13,000 yuan, respectively (NBS China, 2018).

Central and local governments in China have committed to eradicating rural poverty and improving the distribution of income. To date, measures taken include a reform of the personal income tax system, increases in the minimum wage, expansion of the Dibao minimum-income guarantee programme, increased public investment in rural infrastructure and several other pro-farmer policies. Some progress has been made in improving rural health since the implementation of the New Rural Cooperative Medical Scheme, which provides coverage to all rural inhabitants (Meng and Xu, 2014). To promote financial inclusion, the Government has expanded payment systems to rural areas and has introduced regulation for new types of rural financial service providers. As a result, rural residents are catching up to urban dwellers in terms of account ownership and the number of people saving at financial institutions (Jain-Chandra and others, 2018).

Announced reforms to the hukou system are also necessary to reduce the rural-urban gap. Some urban provinces have already acted to ease hukou restrictions. In 2016, China’s Government announced its goal of expanding urban residency permits to 100 million migrant workers by 2020 (Sheehan, 2017). China’s Ministry of Public Security announced that it had issued 28.9 million new urban residency permits in 2016 alone (ibid.). However, the Government still needs to deliver a whole range of supporting policies to achieve this goal, and it may lack the financing to do so.
B. An increasingly urban world

For the first time in history, more people now live in urban than in rural areas. The proportion of the world population living in cities has increased rapidly, as shown in figure 4.3. Over the next three decades, global population growth is expected to take place almost exclusively in the world’s cities and towns, in part due to migration from rural areas. In developed countries and those of Latin America and the Caribbean, a large proportion of the population already resides in urban areas. Africa and Asia are still largely rural but are urbanizing faster than other regions.

In all regions, the speed of urbanization is slower now than in past decades, largely because many countries are already highly urbanized. The rate of urban population growth is also declining, and is expected to continue falling until 2050, although it is still very high in Africa. Nevertheless, the total number of people living in cities is expected to grow substantially, from approximately 4.4 billion in 2020 to 6.7 billion in 2050 (United Nations, 2018d). Africa and Asia alone are projected to account for an increase of 2 billion people living in urban areas by 2050 (ibid.). In contrast, the number of people living in rural areas is estimated to decline from 3.4 billion in 2015 to 3.1 billion in 2050.

Migration from rural to urban areas has historically played a key role in the rapid growth of cities. Together with the recategorization of rural into urban communities, migration continues to be an important component of urban growth. However, natural population growth – the difference between births and deaths – currently makes a larger contribution to the growth of cities than internal migration in the majority of developing countries (United Nations, 2018d).

76 Urbanization refers to the proportion of a country’s total population living in areas classified as urban. Urban population growth refers to the rate of change in the number of people living in areas classified as urban.
Like some other megatrends, urbanization has the potential to become a positive transformative force for every aspect of sustainable development, including the reduction of inequality. When properly planned and managed, urbanization can reduce poverty and inequality through increased employment opportunities and improved quality of life via better education and health. When poorly planned, urbanization can lead to congestion, higher crime rates, pollution, increased levels of inequality and social exclusion. Whether the process of urbanization is harnessed and managed, or allowed to fuel growing divides, will largely determine the future of inequality.

1. Inequality within cities: economic, spatial and social dimensions

Inequality within cities has economic, spatial and social dimensions. Economically, inequality is generally greater in urban than in rural areas: the Gini coefficient of income inequality is higher in urban areas in 36 out of 42 countries with data. China is an important exception to this pattern, with a Gini coefficient that stood at 40 in rural areas and 37 in urban areas in 2014. 

When opportunities found in cities are unevenly distributed, disadvantages tend to concentrate in specific locations, generating various forms of spatial inequality (see box 4.2). People living in disadvantaged communities often lack access to health care, schools, sanitation, piped water, employment opportunities, adequate housing and more. In the metropolitan region of Puebla-Tlaxcala, Mexico, for instance, more

---

**BOX 4.2**

**Brazil’s planned capital: from a utopian vision to a cautionary tale**

Brasilia was planned and built from the ground up at breakneck speed between 1956 and 1961 as the new capital of Brazil. Originally envisioned as a progressive model that would guarantee a good quality of life to all its residents, Brasilia has failed to live up to its ambitions.

With a Gini coefficient of 67.2, Brasilia is the most unequal capital city in Latin America and the Caribbean (UN-Habitat, 2014). On average, the income of the population’s richest decile was 87 times that of the poorest decile in 2009 (ibid.). Not only are households divided by income, but the urban space is highly segregated. This is the result of an exclusionary city model that separated working-class neighbourhoods in satellite towns (small metropolitan areas located close to the city) from wealthy households in the central part of the city as well as in gated communities. The city hosts the wealthiest population of Brazil and, at the same time, its satellite towns register Brazil’s highest homicide rates (ibid.).

Like some other megatrends, urbanization has the potential to become a positive transformative force for every aspect of sustainable development, including the reduction of inequality. When properly planned and managed, urbanization can reduce poverty and inequality through increased employment opportunities and improved quality of life via better education and health. When poorly planned, urbanization can lead to congestion, higher crime rates, pollution, increased levels of inequality and social exclusion. Whether the process of urbanization is harnessed and managed, or allowed to fuel growing divides, will largely determine the future of inequality.

---

77 Calculations based on data for 16 countries in Africa, 9 in Asia, and 17 in Latin America from UNU-WIDER’s World Income Inequality Database (WIID) version 4, released in December 2018. Available at: https://www.wider.unu.edu/database/world-income-inequality-database-wiid4.

78 There is greater spatial integration among the economies of coastal provinces, which are more urbanized than inland provinces (Knight, 2013). Sicular and others (2007) found that, in 2002, inequality across provinces contributed more to household inequality in rural areas than in urban areas.
than 65 per cent of the population had not completed secondary education in some peripheral areas, while the share was below 20 per cent in the metropolitan core in 2010 (OECD, 2013). Life expectancy can also differ significantly by neighbourhood. In cities of the developed world such as Baltimore and London, differences in life expectancy across neighbourhoods are a staggering 20 years (OECD, 2016).

Additionally, people in low-income households – in both urban and rural areas – tend to have little or no political voice or formal representation, particularly if they live in settlements without official addresses. Inequalities in power, influence and access can help reinforce urban divisions and tilt public investment towards the interests of the elite. Moreover, political voice can be controlled through relationships that trade access to benefits for electoral support.

Social and economic conditions also vary by city size. In general, large cities – usually defined as those with a population of 1 million or more – are better served than smaller cities and towns in terms of social services and infrastructure, including safe drinking water, sanitation and electricity (World Bank, 2013b). As a result, poverty tends to be lower in large versus small cities. Cities of over 1 million host 22 per cent of Brazil’s and 27 per cent Mexico’s population, for instance, but they are home to 9 per cent and 16 per cent, respectively, of people living in poverty (Ferré, Ferreira and Lanjouw, 2012).

Table 4.1 shows the ratio of the share of the national population living in poverty in cities of different sizes to the share of the total population in such cities in a selection of developing countries. A ratio below (or above) 1 indicates that the prevalence of poverty in cities of a given size is below (or above) the national average. The prevalence

<table>
<thead>
<tr>
<th>Country</th>
<th>Urban</th>
<th>XL cities</th>
<th>L cities</th>
<th>M cities</th>
<th>S cities</th>
<th>XS cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>0.74</td>
<td>–</td>
<td>–</td>
<td>0.73</td>
<td>0.69</td>
<td>0.79</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.87</td>
<td>0.41</td>
<td>0.86</td>
<td>0.71</td>
<td>1.00</td>
<td>1.39</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>0.75</td>
<td>0.13</td>
<td>–</td>
<td>0.72</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.89</td>
<td>0.86</td>
<td>1.00</td>
<td>1.00</td>
<td>7.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.65</td>
<td>0.59</td>
<td>0.46</td>
<td>0.64</td>
<td>0.75</td>
<td>1.17</td>
</tr>
<tr>
<td>Morocco</td>
<td>0.67</td>
<td>0.25</td>
<td>0.78</td>
<td>0.74</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.42</td>
<td>–</td>
<td>0.33</td>
<td>0.33</td>
<td>0.50</td>
<td>0.50</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.55</td>
<td>0.08</td>
<td>–</td>
<td>0.33</td>
<td>0.50</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Source: Calculations based on Ferré, Ferreira and Lanjouw (2012).
Notes:
1. Ferré, Ferreira and Lanjouw (2012) define city sizes as follows: XL for cities of more than 1 million inhabitants, L for cities between 500,000 and 1 million, M for cities between 100,000 and 500,000, S for cities between 50,000 and 100,000, and XS for cities of fewer than 50,000 people.
2. The eight countries shown were selected on the basis of their interest and the availability of data to construct detailed poverty maps (ibid.).
of poverty is systematically lower in large than in medium-sized cities. It is also lower in medium-sized cities than in small towns. Hence, medium and, in particular, small cities are home to a disproportionate share of the urban poor, as the example of Viet Nam further illustrates (see box 4.3).

Urban planning efforts have focused largely on the problems of large metropolitan areas, particularly in developing countries. As a result, these cities may be receiving a disproportionate share of public resources – in what has been called “metropolitan bias” (Ferré, Ferreira and Lanjouw, 2012). Yet smaller cities account for 58 per cent of the world’s urban population and are growing faster than large cities (United Nations, 2018e).
Despite higher standards of living, larger cities are more unequal than smaller cities. In Latin America and the Caribbean, for instance, the average Gini coefficient was 51.8 in cities of more than 5 million inhabitants, 45.6 for cities of between 500,000 and 1 million, and 43.4 for cities with fewer than 100,000 inhabitants in 2009-2010 (UN-Habitat, 2014).

The relationship between city size and economic inequality has been documented in other parts of the world as well. Chen, Liu and Lu (2018) find that overall urban inequality is significantly and positively correlated with population size in China. Baum-Snow and Pavan (2013) establish a strong positive relationship between city size and wage inequality in the United States. The OECD (2018d) also finds that the larger the population of a city, the higher its degree of income inequality.

Castells-Quintana (2017) finds that inequality within countries first declines and then increases with the average size of cities, suggesting a U-shaped relationship between the two. The author uses panel data for countries with data between 1960 and 2010. The results imply that increases in a country’s average city size are associated with rising inequality after a certain point. Although general estimates by the author suggest that an average city size of 2 million to 3 million inhabitants would minimize the level of inequality, countries differ greatly in the characteristics of urban areas (ibid.). “Optimal” city sizes may therefore vary widely across countries.

Inequality and poverty levels also tend to differ considerably across cities, even among large urban centres within the same country. In China, for instance, the Gini index is estimated at 50 in Shenzhen but 22 in Beijing, both cities of about 20 million people (UN-Habitat 2008). Cities have different cultural and political histories, geography and local policies and follow different development paths. Each city carves out its own unique trajectory. However, the evidence suggests that as the urban population grows, inequality is likely to increase in the absence of policies to address it.

The dynamics of clustering and isolation that operate in urban areas are created to a large extent by the way in which cities are governed (OECD, 2018d). Spending on education and social programmes is biased towards already affluent areas – widening rather than reducing intra-urban inequalities. Gated communities also contribute to spatial segregation and the widening of urban divides (see box 4.4). Low social expenditure and lack of infrastructure limit access to jobs, economic opportunities and social networks (Kilroy, 2007). The most visible example of the spatial concentration of urban poverty and disadvantage are slums.

---

The study draws upon a large sample covering 241 cities in 18 countries with five to nine time series between 1990 and 2010 for each city. The Gini coefficients reported above represent a simple average across the cities for the most recent available year: 2010 (60 per cent), 2009 (33 per cent), 2007 (4 per cent) and 2005 (3 per cent). The database comprises very small cities of less than 100,000 inhabitants (31 per cent), small cities of between 100,000 and half a million inhabitants (39 per cent), intermediate cities of between half a million and a million inhabitants (17 per cent), large cities of between 1 million and 5 million inhabitants (11 per cent), and very large cities of more than 5 million inhabitants (3 per cent).
2. Slums: home to more than 1 billion people

Slums – also known as bidonvilles, taudis, barrios marginales, tugurios, favelas and many other names – are urban areas characterized by substandard housing, overcrowding, unsanitary conditions and lack of services. Specifically, people living in slums suffer from one or more of the following five deprivations: (1) lack of access to improved water sources, (2) lack of access to improved sanitation facilities, (3) lack of sufficient living area, (4) lack of housing durability and (5) lack of tenure security.

In 2016, one in four urban residents (over 1 billion people) lived in slums (United Nations, 2019a). For nearly 20 years, the United Nations Human Settlements Programme (UN-Habitat) has documented the multiple risks that people living in these informal settlements face. Slum dwellers suffer from chronic hunger and die younger than other urban dwellers in the same city (UN-Habitat, 2006). Moreover, the unfavourable health and safety conditions found in slums affect women, children and youth disproportionately.

BOX 4.4

Gated communities, symbols of exclusion

Gated communities are separated from neighbouring areas by fences, walls or other constructed or natural barriers. Entry is selective through some form of access-control. Gated communities are a growing phenomenon in countries as diverse as Argentina, China, Indonesia, Nigeria, South Africa and the United States, and a troubling manifestation of what urban inequality can sow.

An often-posited explanation for the rise in gated communities is a fear of crime. However, this only applies in countries with very high crime rates (Cséfalvay and Webster, 2012). Research on the relationship between gated communities and crime rates in the United States fails to find a clear relationship between the two (Branic and Kubrin, 2018). Another frequently cited reason for the rise of such communities is the desire of the rich to escape from overcrowded and overregulated cities. Yet gated communities are not exclusively inhabited by the rich, and many middle-class gated communities can be found around the world. Factors driving the growth of gated communities differ from country to country, and no single, universal explanation for the rise of such communities has been found.

In effect, these exclusive developments create a barrier to interaction among people of different socioeconomic, ethnic or religious groups. They inhibit the formation of the very social networks that promote social mobility and economic development. Furthermore, gated communities frequently interfere with efficient urban management by limiting access to high-quality schools, health centres, libraries, parks and other, supposedly public, amenities (UN-Habitat, 2010).

In doing so, gated communities contribute to the polarization and segmentation of the urban space, with increasing levels of separation among different income and social groups. In Latin America, some of these gated communities have essentially become cities unto themselves, providing their residents all kinds of services – including schools, hospitals and restaurants – and connecting them with private highways. In Santiago de Chile, for instance, private highways connect exclusive parts of the city, which are only accessible to those living in these neighbourhoods (UN-Habitat, 2016a).
Slums not only proliferate in large cities, but can be found in smaller cities as well. For example, the proportion of people living in slums in the capital cities of Angola (Luanda), Burkina Faso (Ouagadougou) and Ethiopia (Addis Ababa) was 50, 32 and 42 per cent, respectively, in 2015. However, the proportion of people living in slum-like conditions in non-capital, smaller cities of these countries was as high as 70, 50 and 72 per cent, respectively (UN-Habitat, 2018). In some cases, slums can be found in every part of the city. In other urban centres, they are highly visible and concentrated in specific locations. In still other cities, they are located mainly at the margins.

As shown in figure 4.4, the world has made progress in reducing the proportion of people living in slums in the developing world, from 46 per cent in 1990 to 30 per cent in 2014. However, the absolute number of slum dwellers increased from 690 million to 880 million over the same period. Western Asia is the only region that saw a small increase in the proportion of slum dwellers, rising from 22.5 per cent in 1990 to 24.9 per cent in 2014; over that period, the number of people living in slums more than tripled, from 12 million to 38 million.

In Northern Africa, in contrast, the number of slum residents steadily declined from 22 million in 1990 to 11 million in 2014. The level of deprivation is low in this subregion, with most slum households suffering about one of the five deprivations that characterize slum conditions. Among the reasons for this success story are effective and sustained government policies initiated in the 1990s for slum upgrading and prevention, which contributed to reducing the incidence of urban slums by more than one third in Egypt and by more than half in Morocco.

Sub-Saharan Africa has the highest incidence of slums in the world, with 56 per cent of the region’s urban population living in informal settlements in 2014. Slum upgrading and poverty reduction efforts have contributed to reducing the proportion of households living in slums by 14 percentage points since 1990. Still, due to a rapidly increasing urban population, almost 110 million people have joined the ranks of slum dwellers over the same period. In some sub-Saharan African countries, more than three in four urban residents live in informal, low-income settlements. Not only is the incidence of slums high in these countries, but the level of deprivation in some cities is severe, with more than one third of the slum population living with two or more deprivations.
In absolute numbers, Asia has the largest share of the world’s slum population. In 2014, the region was home to almost two thirds of all slum dwellers, or 560 million people. Slums are most prevalent in Southern Asia, with India accounting for half of all slum dwellers in the region and Bangladesh having the highest prevalence, at 55 per cent. South-Eastern Asia has the second highest rate of slum prevalence in the region, estimated at 28.4 per cent in 2014. Around 75 per cent of Eastern Asia’s slum population live in China, where the prevalence of slums was 25 per cent in 2014. Western Asia has not been successful in preventing slum formation, mostly due to ongoing conflicts in Afghanistan and Yemen. In contrast, Turkey saw the proportion of slums decline from 18 per cent in 2000 to 12 per cent in 2014.

Latin America and the Caribbean saw a significant decrease in the proportion of slum dwellers – from 34 per cent in 1990 to 21 per cent in 2014, but levels and trends vary substantially across countries. Whereas 75 per cent of city residents lived in slums in Haiti in 2014, the proportion was 5 per cent in Costa Rica. The most progress was recorded in Argentina, which managed to halve its share of slum dwellers from 2000 to 2014. The level of deprivation in slums is generally low in this region, with most households suffering one deprivation. Local neighbourhood improvement programmes have promoted access to running water, sewerage, schools and primary health services. Despite these improvements, most slums are still underserved and face higher levels of crime and corruption than better-off neighbourhoods.

While slums are the most obvious symptom of a divided city, urban poverty is found outside of slums as well. In India, for instance, the proportion of the population below the official poverty line was 44 per cent in areas officially classified as slums, close to

**FIGURE 4.4**
Proportion of urban population living in slums in developing countries, 1990-2014

Source: UN-Habitat (2016b).
52 per cent in non-classified slums and 23 per cent in other urban neighbourhoods in 2005 (Chandrasekhar and Montgomery, 2010). In addition, over one quarter of households in slum areas have levels of expenditure that are above the official poverty line, suggesting either that some households living in slums are not poor or that the official poverty line is set too low (ibid.).

The challenges that slum dwellers face arise from inadequate infrastructure, poor housing, hazardous locations, social and economic exclusion, violence and insecurity. They are generally disempowered on account of their location and often suffer from discrimination. Like rural populations, slum dwellers are also caught in “spatial poverty traps” due to their social, economic and political exclusion, which results in an unacceptable waste of human potential.

C. Policy implications: shared prosperity or rising inequality?
People in urban areas are generally better off than rural residents. Cities offer a higher level of public services and more job opportunities. As a result, most of the world's poorest people are found in rural areas. While rural-urban disparities have lessened over time, when measured by many indicators, the rate of progress is too slow to ensure that rural areas will catch up to urban areas by 2030. Thus, leaving no one behind calls for continued recognition of the importance of rural development.

That said, urbanization is a global reality. When well-managed, it can bring new opportunities and growing prosperity. However, it can also result in deepening economic, social and spatial inequalities. Lack of opportunity tends to concentrate in specific parts of the city, preventing residents of entire neighbourhoods from accessing adequate housing, health care, schools and other services. In their most extreme form, spatial inequalities in cities lead to the expansion of slums. While the share of people living in slum-like conditions has declined, the absolute number of slum dwellers is growing.

---

82 Non-notified slums are slums that are not recognized by the Government. Lack of legal recognition may create even more barriers for inhabitants to legal rights and basic services.
Inequalities in urban areas are largely determined by the way in which cities are – or are not – designed, planned and managed. Many countries face uncontrolled urbanization processes, especially in developing countries where cities are growing rapidly. Uncontrolled growth results in the inadequate provision of public services and a failure to guarantee a minimum quality of life for all. Given the rapid pace of urbanization in the developing world, Governments in these countries must address urban inequalities now in order to leverage the potential benefits of this powerful global trend.

Location, culture, institutional capacity as well as social and economic structures create conditions specific to every city. However, a number of common elements are found in policy approaches that can contribute to reducing inequalities in line with both the 2030 Agenda and the New Urban Agenda.83

1. Cities that work for everyone

Policies that protect the rights of all urban residents are essential to reducing the inequalities increasingly found in cities. Securing housing and land rights, in particular, is a must. Governments have often exacerbated housing crises, instead of resolving them, by cutting back funds for social housing and failing to intervene to control property and land speculation. Urban renewal efforts have sometimes resulted in the demolition of homes and the relocation of residents to areas that are far removed from livelihood opportunities. Ensuring accessible and affordable housing requires security of tenure for people living in poverty, including people in slums and unauthorized settlements. It also calls for improving their access to low-cost housing alternatives as well as subsidized housing finance.

Inefficient historical plot design and land speculation have, in many cases, resulted in patchy urban development. This, in turn, has led to land shortages and insecure land and tenure rights, which tend to disproportionately affect the poorest people. Hence, to promote greater equality, it is important that all people are on a level playing field regarding land and property rights as well as tenure security. Particular attention needs to be paid to the security of land tenure for women, since it is one key to their economic empowerment (UN-Habitat, 2016a).

Another central policy lever to reduce inequality is expanding access to basic services. Universal access to safe and affordable drinking water and improved sanitation not only promotes equality but ensures better hygiene and health throughout the city. Improving spatial connectivity is also needed to reduce inequality and enable meaningful participation in social and economic life in all parts of the city. Establishing accessible, affordable, safe and sustainable transport links between residential, commercial and industrial areas can encourage agglomeration, open up new employment opportunities, facilitate access to public goods and reduce imbalances between deprived areas and

83 The New Urban Agenda was adopted at the United Nations Conference on Housing and Sustainable Development (Habitat III) in Quito, Ecuador, on 20 October 2016 and endorsed by the United Nations General Assembly on 23 December 2016.
better-off neighbourhoods. The need for greater connectivity is particularly high in sub-Saharan Africa, where convenient access to public transport was only available to 18 per cent of urban residents in 2018 (United Nations, 2019a).

Urban planning practices supported by appropriate regulations can ease the physical segregation and marginalization that contribute to inequalities in cities. Reducing segregation may involve creating spaces where different groups can coexist and providing housing solutions for different socioeconomic groups — including affordable housing for low-income households — within neighbourhoods. Public spaces can strengthen the social fabric and support civil society as well as stimulate local economic development. However, evidence also suggests that social mixing policies alone will not be enough to break the cycle of segregation (OECD, 2018d).

Cities also need to adopt more inclusive and equitable growth models. Unplanned expansions into the distant periphery, known as urban sprawl, can encroach on valuable rural and agricultural land. They can also result in fragmentation, disconnection and diminished returns to economies of agglomeration due to decreasing densities. Planned city extensions are a way of managing urban growth in an orderly manner by focusing development efforts, increasing density and promoting spatial connectivity. Additionally, cities should aim to overcome barriers to inclusion posed by disconnected open spaces by filling the gaps in a coordinated manner. This would increase density, facilitate an increase in the efficiency of public service delivery and promote the vitality of communities. A planned city extension in Ghana to the Accra metropolitan area is already under way, and cities in Belize, the Comoros, Kenya, the Philippines and Somalia are developing similar strategies (United Nations, 2018f).

Facilitating access to education and decent employment for urban residents is also key for reducing urban inequalities. In addition to formal, high-quality education, some cities have leveraged density and the concentration of businesses to create training and skills development programmes. These programmes are adjusted to local market and labour needs as well as to the city’s comparative advantages, such as proximity to export opportunities. Appropriate and well-targeted actions, including demand-based vocational training programmes, offer real prospects for employment. Other cities have implemented conditional cash transfers to encourage school attendance, created lifelong learning facilities as well as developed programmes to support microenterprises and entrepreneurs.

Cities that have improved the quality of life in slums and reduced their reach have gone beyond mere beautification. They have genuinely considered the needs of residents, including by securing appropriate long-term financial investment, improving security of tenure and encouraging local economic activities (UN-Habitat, 2016b). Participatory city-wide action plans have consistently been more effective than piecemeal improvements.
Improving security of tenure entails stopping forced eviction policies, finding solutions that work for both tenant and landlord and, when relocation is necessary, creating relocation and compensation plans jointly with local communities. Encouraging local economic development that helps slum dwellers lift themselves out of poverty means actively supporting the slum economy through investment, encouragement of local initiatives, recognition of the role of women in the household economy and encouraging cooperation among slum dwellers.

Finally, solutions must be found for affordable and adequate housing, which typically fails to keep pace with urban growth. The problem is exacerbated by the fact that the formal private housing sector tends to prioritize middle- and upper-income housing. With cities in the developing world growing at a rapid pace, providing adequate housing to meet the needs of expanding low-income populations is an all too common concern. Beyond the proliferation of slums, the lack of adequate housing results in an increase in homelessness. City governments have an important role to play in addressing this ill. To address homelessness effectively, authorities must recognize its many causes. Accordingly, while housing and eviction policies are important prevention mechanisms, effective strategies require a multi-pronged approach that should also address issues such as mental health and substance-abuse. Finland, for example, has successfully decreased homelessness by providing modern housing units and tailored support services to those in need through a national programme to reduce long-term homelessness.

2. Coordinating, financing and monitoring urban policies

It is increasingly recognized that local authorities are pivotal to the realization of the Sustainable Development Goals and the New Urban Agenda. In cities such as Durban, Jakarta, Madrid and Quito, urban planning approaches are being incorporated into local development plans and connected to the 2030 Agenda and the New Urban Agenda (United Nations, 2018f).

Yet reducing urban inequality also requires coordination among national and local authorities. Addressing intersecting inequalities in income, decent work, access to public goods and services, housing and land calls for coherent and concerted policy action in many sectors. Coordination across different levels of government and different agencies is critical to ensure that initiatives to address inequality are effective. However, setting up a coordinated urban governance structure is no easy task without appropriate institutional frameworks and the participation of key stakeholders. This can be particularly challenging in the context of least developed countries.

Improved coordination and decentralization require effective financing of subnational authorities. Local finance typically comes from four sources: (1) (un)conditional intergovernmental transfers, (2) own revenue generation through local taxes and
service charges, (3) borrowing from capital markets and (4) public-private or public-civic partnerships. All four sources require careful institutional design matched with financial capacity and political openness. Cities with well-performing local authorities and sound tax bases can usually manage with less financial support from central Governments. Land-value capture, for instance, is increasingly being used to generate local revenue in cities in Brazil, China, Colombia, Egypt, India and several OECD countries to recover and reinvest land-value increases that result from public investment (United Nations, 2018f). However, implementation of effective local fiscal mechanisms has lagged in many least developed countries, which will face the steepest challenges to urban development over the coming decades.

In terms of borrowing from capital markets, development banks are financing initiatives to tackle increasing levels of inequality and exclusion found in growing urban settlements. Additionally, they are assisting city, subnational and national governments in attracting new investments for sustainable growth. The World Bank, for example, has helped 240 city governments tap into capital markets without the need for a sovereign guarantee (United Nations, 2018f).

Governments also need to improve their capacity to collect and utilize data on urban inequality. Many cities, particularly in the developing world, are stymied in their efforts to analyse and formulate urban policies to reduce inequalities due to lack of relevant information. A concerted effort – involving human, financial and technological resources – is needed to fill this gap, and will require the cooperation of national, state/provincial and local governments and national statistical offices. Local actors, including civil society, non-governmental organizations, service providers and public institutions can be empowered to participate in data collection efforts.

Whenever possible, collected data should be disaggregated by income, age, sex, ethnicity, race, migration status, disability, geographic location and any other characteristics relevant to national, subnational and local contexts. Disaggregating information at city and sub-city levels would integrate a spatial component into inequality analysis and therefore allow Governments to examine access to natural resources, physical and productive assets and local opportunities across groups. The Mexican Government, for example, has implemented a national analysis of cities with a strong emphasis on inclusion through the UN-Habitat City Prosperity Initiative. Implemented in more than 300 Mexican cities, the programme has helped the Ministry of Agrarian, Territorial and Urban Development to identify key strategic interventions that Infonavit (the largest mortgage lender in Latin America) is funding to reduce spatial inequalities and boost shared prosperity in cities. This has enabled the Government to produce more than 100 city action plans (United Nations, 2018f).